

STATE OF CALIFORNIA
BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

DELEGATION RESOLUTION

Subject: Chief Executive Officer -
To Administer and Manage
CalPERS

Delegation No:
EXEC-95-101 (Rev.)

WHEREAS, In accordance with Government Code sections 20120, 9353, 75005, 75505, 21661, 21670, 21759, 22200, 22201, 22794, 22940, 22960.35, and 22970.30, the Board of Administration of the California Public Employees' Retirement System (hereafter "the Board") is charged with the administration, management and control of the Public Employees' Retirement System, the Legislators' Retirement System, the Judges' Retirement System, the Judges' Retirement System II, the Public Employees' Long-term Care Act, the Public Employees' Deferred Compensation Program, the Replacement Benefit Plan, the Old Age and Survivors' Insurance Program, the Public Employees' Medical and Hospital Care Act, the Annuitants' Health Care Coverage Fund, the State Peace Officers' and Firefighters' Defined Contribution Plan, and the Supplemental Contributions Program (hereafter collectively "the System").

WHEREAS, In accordance with Government Code sections 20171, 9354.1, 75105, 75607, 21664, 21677, 21759, 22601, 22910, 22911, 22940, 22960.46, and 22970.41, the Board is also charged with the exclusive control of the administration and investment of the Public Employees' Retirement Fund, the Legislators' Retirement Fund, the Judges' Retirement Fund, the Judges' Retirement System II Fund, the Public Employees' Long-term Care Fund, the Public Employees' Deferred Compensation Fund, the Replacement Benefit Custodial Fund, the Old Age and Survivors' Insurance Revolving Fund, the Public Employees' Contingency Reserve Fund, the Public Employees' Health Care Fund, the Annuitants' Health Care Coverage Fund, the State Peace Officers' and Firefighters' Defined Contribution Plan Fund, and the Supplemental Contribution Program Fund (hereafter collectively "the Fund").

WHEREAS, In accordance with Article XVI, section 17 of the California Constitution, the Board is charged with certain authority and responsibilities. Article XVI, section 17 is attached hereto and is fully incorporated herein.

WHEREAS, In accordance with Government Code section 20099, the Board is authorized to delegate authority to its Chief Executive Officer (hereafter "CEO") to perform any act within the power of the Board itself to perform, and may through express delegation authorize the CEO to act finally.

NOW THEREFORE, BE IT RESOLVED:

- (A) That, pursuant to the foregoing, the Board hereby authorizes the CEO to act, and unless otherwise expressly provided, to act finally, as described below:

I. Board Relationship

In contributing toward the strong relationship between the Board and staff that is critical to the accomplishment of the Board's strategic objectives, the CEO shall:

- A. Be responsible to, and held accountable by, the Board as a whole.
- B. Act as the liaison between the Board and staff, ensuring that information and communication flows efficiently between the Board and its committees, and staff.
- C. Provide staff support to the Board, and its committees, as directed by the Board President and committee chairs.
- D. Assist the Board President in scheduling Board/committee meetings, and developing agendas.
- E. Assist the Board President in determining and meeting the information needs of individual Board members.
- F. Report to the Board, on at least a monthly basis, all significant action the CEO has taken under this delegation of authority, and provide other periodic reports as requested by the Board or its committees.

II. Policy Development & Strategic Direction

To assist the Board in its fundamental role of establishing the System's strategic direction, and developing policies to guide staff activities in a manner that is consistent with that direction, the CEO shall:

- A. Assess future economic, political, social and technological trends, considering their financial and operational ramifications for the System and its strategic plan, and draft appropriate policy responses for consideration by the Board.
- B. Continually examine the relationship between existing Board policies and the System's strategic plan, and recommend to the Board revisions as necessary to align the two.
- C. Identify program problem areas, develop solutions, and formulate policy for consideration by the Board.

III. Policy Implementation & Program Administration

In keeping with the primary function of the CEO and System staff to execute the policies adopted by the Board and administer the various programs consistent with these policies the CEO shall:

- A. Be ultimately responsible for achieving the System's long-term goals and strategic objectives, as adopted by the Board. Coupled with this responsibility is the authority to determine the appropriate method for achieving these goals and objectives.
- B. Implement the Board's policies, programs and directions, operating within the resources and fiscal limits set by the Board. Coupled with this responsibility is the authority to determine the appropriate method for implementation.
- C. Direct, as is more fully described below, the administration of all units and functions within CalPERS.
 - 1. In furtherance of the CEO's **general** administrative authority, the CEO shall have the authority to:
 - a. Except where the Board has required the CEO to act personally, re-delegate, as appropriate in the CEO's judgment, any authority provided to the CEO under this delegation. To the extent the CEO has been delegated authority to act finally, such final authority may be further delegated to staff.
 - b. Obtain sufficient information technology, facilities and equipment to support CalPERS' business and operational needs, operating within the resources and fiscal limits set by the Board; approve building, tenant, and owner improvements which were not anticipated during the annual or mid-year adjustment Building Account budget process and which are deemed necessary by the CEO; manage the operation of CalPERS' headquarters' facility.
 - c. Oversee the procurement, and direct and monitor the performance of services from all contractors, vendors, consultants and advisors, consistent with the procurement policies adopted by the Board. **However**, except where the Board otherwise expressly delegates its authority to the Chief Investment Officer or Senior Investment Officers, the Board retains for itself the exclusive authority to select, to approve the selection process, and to make any termination decisions for: all investment advisors, investment managers

and Board consultants; the Board's independent auditor; the Board's independent actuary; the Board's outside fiduciary counsel; executive search firm(s), when the search is for positions for which the Board has retained a primary role in selection; the Board's executive compensation consultant(s); the Board's federal lobbyist; the Board's Long-Term Care Administrator; and providers of administrative services related to the Board's self-funded health plans (including without limitation network administration, medical policy development, utilization management, and pharmacy benefit management). With regard to these non-delegated contractors, the CEO may provide any assistance or recommendations as requested by the Board or its committees.

2. To fulfill the Board's exclusive authority over **investments**, the CEO shall delegate to the Chief Investment Officer the authority to:
 - a. Negotiate and execute investment transactions approved by the Board, or within those discretionary areas delegated from the Board to staff.

Notwithstanding the authority under subparagraph 2.a. above, the CEO shall have no reservation of authority as to such matters delegated.

3. To assist the Board in fulfilling its exclusive authority to invest the Fund, the CEO shall also have the authority to:
 - a. Ensure all investment functions are performed with independence and in conformance with professional standards; provide the Board with appropriate reports.
4. To assist the Board in its oversight of **fiscal** operations, the CEO shall have the authority to:
 - a. Recommend to the Board the annual CalPERS and Building Account budgets, and necessary mid-year adjustments; manage staff activities within these budgetary limits, except as otherwise provided by the Board or in this delegation.
 - b. Manage CalPERS' fiscal and accounting systems; ensure the Board is annually provided with an independent evaluation of the System's financial statements.
 - c. Recommend for the Board's consideration and approval financial standards and policies, material capital allocations,

and material transactions not in the ordinary course of business.

- d. Monitor and account for the funds generated from Directed Brokerage Arrangements consistent with the policy parameters established by the Board.
5. To assist the Board in its oversight of the System's **audit** functions, the CEO shall have the authority to:
- a. Assess, and recommend changes as appropriate, the integrity of CalPERS' financial control and reporting systems.
 - b. Recommend to the Board the annual audit plan, and generally oversee its completion.
 - c. Ensure all audit functions are performed with independence and in conformance with professional standards; provide the Board with appropriate reports.
6. To fulfill the Board's duty to promptly deliver **benefits** and related services to program participants, the CEO shall have the authority to:
- a. Ensure that all program participants are provided with the appropriate retirement, death, disability, or health benefits and related services, in accordance with applicable law and Board policy.
 - b. Develop and provide to all program participants appropriate educational materials to enable informed decision-making.
 - c. Conduct market research and develop for the Board's consideration benefit programs, in a manner that is consistent with the System's strategic plan.
 - d. Notwithstanding the foregoing, the Board expressly retains for itself the authority to select providers of health benefit plans.
7. To assist the Board in fulfilling its exclusive authority to provide for **actuarial** services, the CEO shall have the authority to:
- a. Ensure all actuarial functions are performed with independence and in conformance with professional standards; provide the Board with appropriate reports.

8. To enable the Board to provide cost-effective, competitive product(s) for participating **employers**, the CEO shall have the authority to:
 - a. Develop and provide to all participating employers, and potentially participating employers, appropriate educational materials to enable informed decision-making.
 - b. Approve and manage public agency contracts, and contract amendments, in a manner that is consistent with applicable law and Board policy.
9. To assist the Board, and the System, in obtaining competent **legal representation**, the CEO shall have the authority to:
 - a. Ensure all legal functions are performed with independence and in conformance with professional standards; provide the Board with appropriate reports.
 - b. Initiate litigation, as consistent with the policies and objectives of the Board; where the relationship between those policies/objectives and the litigation is unclear, recommend appropriate action to the Board.
 - c. Initiate on behalf of System staff the administrative adjudicatory process.
 - d. Pursue or settle litigation and claims owed to CalPERS, within policy parameters established by the Board.
- D. Act in emergency situations. For purposes of this provision, the CEO shall have the authority to act on matters not expressly within this delegation, provided:
 1. The action is, in the CEO's judgment, necessary to protect the System, its employees, the Fund, or System assets, from loss or harm that is reasonably likely to occur if action is delayed for the scheduling of a noticed meeting of the Board or its committees; AND
 2. The CEO promptly reports to the Board the emergency action taken, and the reasons why the CEO determined action was immediately necessary.

IV. Staff Resources & Organizational Structure

The Chief Executive Officer is the Board's highest ranking employee. As such, the CEO shall:

- A. Establish the internal organizational structure of CalPERS' staff, in a manner that is consistent with this delegation of authority and applicable Board policy.
- B. Hire, supervise, monitor, evaluate, and when necessary, take disciplinary action or terminate, all System staff, subject to the following limitations:
 1. **Board-Primary Role:** The Board retains the authority to make decisions concerning the hiring, evaluating for compensation purposes, disciplining and terminating of **three** CalPERS positions: Chief Investment Officer, Chief Actuary, and General Counsel. However, the CEO shall be a **participant** in each of those processes, providing the Board with both procedural and substantive **recommendations**. In addition, the CEO shall have responsibility for day-to-day supervision.
 - a. The Board, upon advice from its Performance and Compensation Committee, will have primary responsibility for:
 - i. Determining the compensation structure, and approving the annual incentive plans, for positions where it has the authority to fix the compensation under Government Code Section 20098 ("Section 20098 Employees" or "Section 20098 Positions"); and
 - ii. Awarding any incentive pay to the CEO, and Section 20098 Employees reporting directly to the CEO or the Chief Investment Officer.

In these instances, the CEO shall provide advice and recommendations to the Committee and Board.

2. **CEO-Primary Role:** The Board delegates to the CEO the authority to make all personnel decisions not exclusively retained by the Board under Section IV.B.I above concerning Section 20098 Employees and employees working in positions designated as a career executive assignment ("CEA Employees" or "CEA Positions"); subject to the following conditions:

- a. The CEO shall **inform** the Board of the process to be used to select the person to fill Section 20098 Positions and CEA Positions reporting directly to the CEO or the Chief Investment Officer, and whenever possible, before that process begins. The process may differ according to the unique circumstances surrounding each recruitment.
 - b. The Chair of the relevant Board or its committee may participate with the CEO (and any other person requested by the CEO) in the interviews to fill the positions described in subparagraph 2.a. above. However, the role of the Committee Chair will be to **advise** and make **recommendations** to the CEO; the final hiring decision rests with the CEO.
 - c. The CEO will **inform** the Board of the CEO's hiring selection to fill the positions described in subparagraph 2.a. above before that selection is communicated to any of the candidates or outside of CalPERS.
 - d. The CEO shall **recommend** to the Board, through its Performance and Compensation Committee, salary adjustments for and incentive awards to Section 20098 Employees reporting directly to the CEO or the Chief Investment Officer.
 - e. Acting within the policy parameters established by the Board, and with the exception of the Chief Investment Officer, Chief Actuary, and General Counsel, the CEO shall make all compensation decisions regarding Section 20098 Employees not described in subparagraph 2.d. above and CEA Employees; however, the CEO shall **inform** the Board of all decisions in this regard.
 - f. The CEO shall **inform** the Board of any disciplinary or other significant personnel issues involving staff filling these positions.
3. **CEO-Exclusive Role:** All personnel decisions concerning all other CalPERS staff will be fully delegated to the CEO.
- C. Direct all employees in furtherance of the Board's long-term policies and strategic objectives, ensuring that staff decisions and activities are consistent with these policies and objectives.
 - D. Direct and guide staff in achieving an environment that embodies the System's core values; fosters a cooperative relationship both between the

Board and staff, and among all CalPERS staff; and ensures the highest ethical conduct and business practices, avoiding even the appearance of impropriety.

- E. Act as the liaison for communication and information flow between the Board and CalPERS employees, designating staff to work with and support the Board and its committees.
- F. Manage the System's human resources within the fiscal limits set by the Board; provide for employee training and development, and succession planning.

V. External Relations

To protect and promote the System's relations with outside organizations, the CEO shall:

- A. Represent the System and the Board's policies and positions, or designate appropriate staff to so represent, before outside parties and organizations (including without limitation the media, other governmental entities and officials, employer and employee organizations, and contractors).
- B. Recommend to the Board policies and positions with respect to issues of public concern, and communicate those policies and positions to all interested parties.

BE IT FURTHER RESOLVED:

(B) That this delegation of authority is subject to all of the following conditions:

- (1) The CEO must discharge the CEO's duties "solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system." In exercising this responsibility, the CEO shall place the interests of System members and beneficiaries above all other interests. (Cal. Const., art. XVI, sec. 17(b).)
- (2) The CEO must discharge the CEO's duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. (Cal. Const., art. XVI, sec. 17(c).)

AND

- (C) That this Delegation Resolution No. 95-101 (as revised on March 18, 2009) shall be effective immediately upon adoption, and supersedes Delegation No. 89-05 (as revised October 1, 1994) and Delegation No. 95-101 (as revised on February 16, 2000).